

# FISCAL NOTE

<b>Bill #:</b>	SB 7	<b>Title:</b>	Borrow \$50 million from the coal severance tax trust fund until 2003 session
<b>Primary Sponsor:</b>	Royal Johnson	<b>Status:</b>	As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<u><b>FY2003 Difference</b></u>	<u><b>FY2004 Difference</b></u>	<u><b>FY2005 Difference</b></u>
<b>Transfers:</b>			
General Fund	\$50,000,000	\$0	\$0
Trust Funds	(\$50,000,000)	\$0	\$0
<b>Revenue:</b>			
General Fund	\$0	(\$3,400,000)	(\$3,400,000)
<b>Net Impact on General Fund Balance:</b>	<b>\$50,000,000</b>	<b>(\$3,400,000)</b>	<b>(\$3,400,000)</b>

<u><b>Yes</b></u>	<u><b>No</b></u>		<u><b>Yes</b></u>	<u><b>No</b></u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill gives the governor authority to transfer up to \$50 million from the coal severance tax trust fund to the general fund in fiscal 2003. This bill specifies that any funds transferred must be repaid by funds earmarked by the 2003 legislature.
2. The annual rate of return on the coal severance tax trust fund is projected to be 6.8% in fiscal years 2004 and 2005. For each \$1 million transferred to the general fund, interest earnings will be reduced by \$0.068 million.
3. This fiscal note assumes that \$50 million will be transferred on June 30, 2003 to the general fund from the coal severance tax permanent trust (see technical note) and that the trust will be repaid after June 30, 2005. In that case, interest income to the general fund would be reduced by \$3.4 million in fiscal 2004 and in

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fiscal 2005. If a smaller amount were transferred, the lost interest would be proportionally smaller. If the transfer were made earlier, there would be reduced interest earnings to the general fund in fiscal 2003.

FISCAL IMPACT:

	<u>FY2003 Difference</u>	<u>FY2004 Difference</u>	<u>FY2005 Difference</u>
<u>Transfers:</u>			
General Fund (01)	\$50,000,000	\$0	\$0
Trust Funds(09)			
Coal Severance Tax Permanent Fund	(\$50,000,000)	\$0	\$0
<u>Revenues:</u>			
General Fund (01)	\$0	(\$3,400,000)	(\$3,400,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	\$50,000,000	(\$3,400,000)	(\$3,400,000)
Trust Funds (09)			
Coal Severance Tax Permanent Fund	(\$50,000,000)		

LONG-RANGE IMPACTS:

1. Interest earnings from the coal severance tax trust will continue to be lower until the transfer is fully repaid.
2. Repaying the coal severance tax trust will require one or more of the following: new revenue earmarked for repaying the transfer, reductions in expenditures or a reduction in the general fund balance.

TECHNICAL NOTES:

1. Section 1 authorizes the governor to transfer funds from the coals severance tax trust fund to the general fund. MCA 17-5-703 creates several funds within the coal severance tax trust fund. As it is written, this bill appears to give the governor the authority to transfer funds to the general fund from any of the subfunds of the coal severance tax trust fund. If that is not the intent, the bill should specify from which subfund the transfer is to be made.
2. Interest from the subfunds is allocated to different uses. Interest from the coal severance tax permanent fund is allocated to the general fund. Interest from the treasure state endowment fund is earmarked for local infrastructure projects and interest from the treasure state endowment regional water system fund is earmarked for regional water systems. This fiscal note assumes that any transfers will be made from the coal severance tax permanent fund. If the transfer is from one of the other subfunds, revenue will be reduced for local infrastructure projects or regional water system projects rather than the general fund.